

SECTION 6

COBRA

Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA)

COBRA is a federally mandated law that requires employers to furnish continuation coverage (health insurance program and Medical Flexible Spending Account program) to employees and/or dependents losing coverage. All new employees eligible for health insurance must be notified in writing of their COBRA rights.

Employees and dependents losing health insurance coverage must be sent a COBRA Health Insurance memo. An employee and his/her dependents losing participation in his/her Health Care Spending Account must also be sent a COBRA Flexible Spending Account memo whether or not the employee or dependent has health insurance.

A terminating employee participating in both programs (Health Insurance and Medical FSA) must receive two COBRA memos: one for Health Insurance (Refer to Appendix A for a sample of the Health Insurance COBRA Continuation Memorandum for employees) and one for the Medical FSA. If the employee has covered dependents, the dependents should also receive two memos (refer to Appendix A for a sample of the Health Insurance COBRA Continuation Memorandum for dependents).

Commonwealth Choice COBRA FSA information is in Section 9.

Initial COBRA Notification

Upon hire, the Insurance Coordinator must provide an employee with the Initial COBRA Memorandum (refer to Appendix A-1).

COBRA Eligibility

COBRA rights must be extended to any qualified beneficiary, who experiences a COBRA Qualifying Event that results in a loss of coverage under a group health plan.

Qualified Beneficiaries

A qualified beneficiary is an individual who is covered under the group health plan on the day before the Qualifying Event. Eligibility for coverage is not enough to make an individual a qualified beneficiary, regardless of the reason that individual is not covered under the plan.

Based on their status on the day before the Qualifying Event, three (3) classes of individuals may be qualified beneficiaries:

- covered employees under a group health plan;
- covered spouses of covered employees; and
- covered dependent children of covered employees.

Months of COBRA Coverage Based on Qualifying Event

18 Months	36 Months
Termination/Reduction in hours or LWOP	Death of Employee
Disabled (may qualify for an additional 11 months to total 29 months)	Employee becomes entitled to Medicare; therefore, dependents are eligible
	Divorce or legal separation
	Dependent child loses dependent eligibility

Notification Deadlines

- The covered employee or qualified beneficiary is responsible for notifying his/her Insurance Coordinator no later than sixty (60) days after the date of the Qualifying Event; or the loss of coverage, whichever would be later. Termination/Reduction in hours or LWOP; Death of employee; and Employee becomes entitled to Medicare.
- The covered employee or qualified beneficiary is responsible for notifying his/her Insurance Coordinator no later than thirty (30) days after the later of the date of the Qualifying Event; or the date coverage would be lost because of the event for the following Qualifying Events: Disability; Divorce or legal separation; and Dependent child loses dependent eligibility.
 - The Insurance Coordinator notifies the qualified beneficiary of his/her rights to continue group health coverage, by sending the COBRA continuation notice (refer to Appendix A). The Insurance Coordinator must send the COBRA notification no later than fourteen (14) days of being notified of the Qualifying Event.

Notification Process

The Insurance Coordinator must mail the following to the employee and to each qualified beneficiary:

- the COBRA continuation memo (refer to Appendix A-2);
- the COBRA Election Form (refer to Appendix A-6); and
- the health insurance application.

The COBRA election Form and health insurance application must be returned to the Insurance Coordinator.

NOTE There are two memoranda that must be provided upon termination. The employee must receive the COBRA Continuation Memorandum (refer to Appendix A) and any other qualified beneficiaries, if applicable, must receive the Dependent COBRA Continuation Notice (refer to Appendix A).

Acceptance Process

- An employee or his/her qualified beneficiary has sixty (60) days from either the termination of coverage or the date the notification was provided to him/her by the employer, whichever is later, to elect COBRA.
- A qualified beneficiary must be allowed forty-five (45) days from the date he/she elects to take the continuation of his/her health insurance coverage to pay the first premium. Therefore, one hundred five (105) days should be the maximum time permitted before the first payment is paid (the sixty (60) day election period plus forty-five (45) more days). However, the first payment must include any past due months to bring the qualified beneficiary up to date.
- If the COBRA election form (refer to Appendix A-6) and application are received by the Insurance Coordinator without receipt of the premium payment, the Insurance Coordinator should hold these forms until the premium check is received.
- After the Insurance Coordinator receives the COBRA election form; health insurance application; and the premium check from the qualified beneficiary, the Insurance Coordinator must forward all forms along with a copy of the COBRA memo (which was mailed to the qualified beneficiary) to the carrier.
- After the initial premium payment, the carrier will bill the qualified beneficiary monthly. The Social Security Number of the qualified beneficiary must be on the check.
- The qualified beneficiary will remit a premium of 102%. Premium payments **not received** in a timely manner will result in loss of COBRA coverage by the qualified beneficiary after a thirty (30) day grace period.
- Members disabled at the time of termination are eligible to apply for an eleven (11) month extension (premium can be up to 150% of the applicable premium cost). A member may apply for the eleven (11) month extension by contacting:

Personnel Cabinet
Office of Public Employee Health Insurance
Member Services Branch
200 Fair Oaks Lane, Suite 502
Frankfort, Kentucky 40601
(502) 564-6534 or 888-581-8834

Documentation

All notices, memos, letters, etc. concerning COBRA that are sent to the covered employees and the qualified beneficiaries should be documented. Registered mail would be the most efficient for documentation.

Waiver of Continuation Coverage

An employee or dependent that declines coverage may later reverse his/her decision, as long as it is no later than the sixty (60) day election period. A qualified beneficiary can waive only for him/herself, not for others.

Member Moves Outside of the Plan's Service Area

A COBRA member who moves out of his/her carrier's service area may change to a plan that is available in his/her new location.

Open Enrollment

Each carrier will be responsible for handling all aspects of Open Enrollment for COBRA members, (i.e. notification, re-enrollment, etc.).

Dependents dropped during Open Enrollment are NOT eligible for COBRA, unless the reason for removal is due to an appropriate Qualifying Event.

However, if the dependent will turn twenty-four (24) in the month of December and is therefore dropped from the employee's plan during Open Enrollment, COBRA MUST be offered because the dependent is no longer eligible under the program. In this case the Qualifying Event for COBRA and Open Enrollment just happen to coincide

COBRA Compliance Chart

(For Continuation of Coverage Notice and Election Requirements)

Qualifying Event	Requirement that Beneficiary or Employee Notify Agency	Requirement that Agency Notify Beneficiary	Election Period	Coverage Period (See Last Column)	Effect of Second Qualifying Event Within Coverage Period	Events Causing Early End to Coverage Period
Employee's Death	NONE	Must notify the qualified beneficiary of continuation coverage rights within 14 days after receiving notice of qualifying event.	Lasts at least 60 days; begins no later than date that coverage terminates due to qualifying event; ends no earlier than 60 days after later of date of coverage termination or receipt of election notice.	DEPENDENTS ONLY. 36 months from the date of the qualifying event.	NONE	1. Employer ends all group health plan coverage for all employees; 2. Employee fails to make timely premium payments; 3. Beneficiary is covered by another group health plan (covering pre-existing conditions); 4. Beneficiary becomes entitled to Medicare.
Employee's loss of health coverage due to termination, reduction of hours or LWOP	NONE May file for an 11 month extension of COBRA if Disabled at time of Qualifying event or becomes Disabled within 60 days following the Qualifying Event. Application for extension must be made within 60 days of a determination by Social Security that a beneficiary is disabled .	Must notify the qualified beneficiary of continuation coverage rights within 14 days after receiving notice of qualifying event from employer.	Lasts at least 60 days; begins no later than date that coverage terminates due to qualifying event; ends no earlier than 60 days after later of date of coverage termination or receipt of election notice.	18 months from the date of the qualifying event; for disabled beneficiaries under social security, 29 months from the date of the qualifying event.	DEPENDENTS ONLY Period extends to 36 months from date of first qualifying event.	1. Employer ends all group health plan coverage for all employees; 2. Employee fails to make timely premium payments; 3. Beneficiary is covered by another group health plan (covering pre-existing conditions); After date of qualifying event. 4. Beneficiary becomes entitled to Medicare.
Employee's divorce or legal separation Dependent child ceases to be eligible under the plan	Must notify the Agency within 60 days after the later of the date of loss of coverage or the qualifying event.	Must notify the qualified beneficiary of continuation coverage rights within 14 days after receiving notice of qualifying event from employee.	Lasts at least 60 days; begins no later than date that coverage terminates due to qualifying event; ends no earlier than 60 days after later of date of coverage termination or receipt of election notice.	DEPENDENTS ONLY - 36 months from the date of the qualifying event.	NONE	1. Employer ends all group health plan coverage for all employees; 2. Employee fails to make timely premium payments; 3. Beneficiary is covered by another group health plan (covering pre-existing conditions); 4. Beneficiary becomes entitled to Medicare.